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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Wal-Mart Hypermarkets To Test Fast Lube Centers

BENTONVILLE, Ark. — Wal-Mart will begin testing quick auto oil change and lubrication centers at its six hypermarkets now under construction or on the drawing board, industry sources said.

Details remain sketchy. "They're trying to keep it under wraps for some reason," said one vendor involved in the project. "They asked us to keep it quiet."

"They," in this case was Mike Buschlen, hypermarkets merchandiser for auto, hardware and sporting goods.

Buschlen declined to discuss Wal-Mart's new venture into the booming area of quick lube centers. Wal-Mart spokeswoman Stacy Duncan said, "It's too early, too soon, and too many competitors are looking at us."

Duncan did refute industry talk, however, that Wal-Mart also plans to test self-service gas stations at hypermarket sites. "We're not going to put in gas stations."

"Wal-Mart will offer limited automotive service at its hypermarkets," said Maggie Gilliam, a First Boston Corporation analyst who follows Wal-Mart. "But I don't know what that's going to be."

In addition to plans for quick lube centers at its hyper-

(Continued on page 61)

Consumers Prototype Adopts Warehouse Look, Racetrack

EAST BRUNSWICK, N.J. — Consumers Distributing (U.S.) unveiled a new prototype here and in Eatontown, N.J., that combines a racetrack layout and a warehouse format in an attempt to solve the cataloger's longstanding problems of rampant out-of-stocks and long delays in delivering goods to customers.

The two 12,000-square-foot stores, called Consumers Express, feature jewelry and small CE products like calculators in a salesclerk-serviced island in the center of the racetrack layout. All the other merchandise except for photo items is mass displayed on

(Continued on page 61)

CD president Stanley Seiden (with raincoat) stands in center of new Consumers Express store, East Brunswick, N.J. (DSN photo)

After the Crash: Raiders Back Off; Retailers Plan Buybacks

By Richard C. Halverson
Nationwide DSN Report

For some discounters, a sliver of silver lining appears to glimmer through Black Monday's stock market crash.

News Analysis

Slumping stock prices, and an attendant disintegration of junk bond financing, has dampened the hostility of corporate raiders and given targeted retailers a chance to gird their defenses by buying back stock at bargain prices.

At least one discounter rushed to issue corporate notes as plunging stock prices depressed interest rates to what they expect will be the lowest point this year. Among these were Zayre, cataloger Best Products, off-pricer Dress Barn, and Dayton Hudson, parent of Target Stores, Mervyn's and Lechmere.

Dayton Hudson, twice the object this year of takeover attempts by the Dart Group, said it will buy back as many as 15 million of its shares, or close to 15 percent of the total outstanding after Dart called off its most recent bid.

In the wake of Black Monday, Oct. 19, the Dart Group, operators of Trak Auto and Crown Books, said it could not raise the financing needed to complete the deal. Dart, which is controlled by the Haft family of Landover, Md., also revealed it said it will lose as much as $70 million selling the 4.6 million shares of D-H it had acquired.

On Oct. 26, D-H closed at $26, less than half its $56.63 per share price of 30 days ago.

"The crash was a debacle for retailers," said Kurt Barnard, a retail consultant in New York. "Acquisitions are going to go on hold until sellers and buyers have a clearer idea of what they're worth, and stockholders get an idea of what they should get." Mark Tavel, president of Value Line Asset Management, based in New York, said portfolio managers "are moving out of junk bonds into quality."

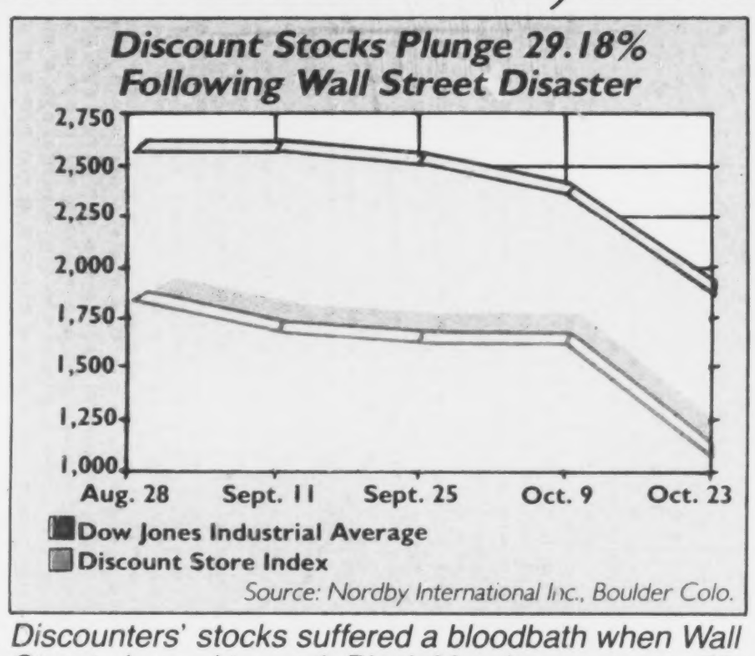
Corporate raiders and those taking companies private through leveraged buyouts often issue junk bonds. They then expect to pay off the bonds with either the proceeds from selling assets of the acquired company or with operating revenues.

The Thompson family expected to issue $1.5 billion in junk bonds as part of its plan to take private the Southland Corporation, best known for its 7-Eleven convenience stores. And then it planned to sell various assets, including its Chief Auto Parts specialty discount chain.

Last month, Southland distributed a prospectus to potential qualified purchasers of Chief Auto, once estimated to be worth $200 million, as the first stage of selling to the highest bidder.

A corporate development executive for a major corporation told *DSN* that the Chief Auto prospectus is not generating a lot of enthusiasm.

(Continued on page 62)



Discounters' stocks suffered a bloodbath when Wall Street plunged to earth Black Monday, see page 53.

First-of-its-Kind Program Launched

New Gold Circle Visa Offers $ Bonus

By Donald Longo

COLUMBUS, Ohio — Gold Circle, the nearly $1 billion discount store division of Federated Department Stores, last month introduced a new credit card program that awards shoppers with bonus coupons for the purchase of merchandise in its stores.

The new Gold Circle program was instituted just five days before Zayre Stores, the 375-store discount chain based in Framingham, Mass., introduced its own points for purchase awards program (see *DSN*, Oct. 26, page 1).

Gold Circle's Shoppers Bonus Visa Card, issued and administered by Fifth Third Bank of Cincinnati, differs from standard Visa cards in that cardholders receive one bonus point for every dollar purchase made with the card at Gold Circle stores. The Worthington, Ohio-based chain's Richway stores are also participating.

Each time the cardholder accumulates 250 bonus points, a $10 Shoppers Bonus coupon will be issued automatically by the bank to the cardholder. The coupon is worth $10 off a purchase at Gold Circle. Monthly statements issued by the bank will advise cardholders of the number of bonus points that have accumulated.

"A new concept in credit card processing, the co-branded Shoppers Bonus Visa card

(Continued on page 61)

Crazy Eddie's Fate Now In Hands of New Board

By Josephine Fiamingo

EDISON, N.J. — Elias Zinn has finally won his five-month-long battle to wrest control of Crazy Eddie from founder Eddie Antar. Claiming a prolonged proxy battle would do more harm to the chain's financial status, the electronics specialty retailer decided not to oppose a slate of new board members, nominated by the Zinn-led Committee to Restore Stockholder Value, at the chain's Nov. 6 shareholders meeting.

Despite his apparent victory, Zinn, chairman of Houston-based electronics wholesaler Entertainment Marketing, may have to do some fancy footwork to return the 42-

(Continued on page 62)

Chain ... With ...

...enile Products ...eled by New Parents

Truck Accessories Tow Spring Auto

0024037C DS
MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1FP
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

GTE Tests Interactive Teleshopping

STAMFORD, Conn. — GTE began a full scale test of its Main Street interactive cable TV teleshopping service Oct. 19 on the Continental Cablevision system in Newton, Mass., a Boston suburb. GTE plans to shortly expand the test, which includes the actual purchase of goods and services from about a dozen companies, to the Warner Cable system in Boston, reaching a minimum of 500 homes.

McDade Closes 8-Showroom Biz

CHICAGO — Cataloger McDade & Co., which emerged from bankruptcy five months ago, will close its eight-showroom business after holding a liquidation sale during Christmas. The 29-year-old privately held chain's lack of capital to stock its suburban Chicago showrooms and vendors' unwillingness to provide enough credit for the key fourth quarter buying period were cited as reasons for the move. McDade has had its core housewares/home furnishing, consumer electronics and photo business battered by such competitors as discounters K mart and Venture, cataloger Service Merchandise and specialty retailers Highland Superstores and Fretters.

TSS-Seedman Deal Closes

NEW YORK — Resource Holdings Inc. took possession of TSS-Seedman, the 32-unit Brooklyn, N.Y.-based retailer, on Oct. 27.

Sherman Named Regina Board Member

RAHWAY, N.J. — Malcolm Sherman, former chairman of Zayre Stores, has been named a member of the board of directors of the Regina Company, the home products manufacturer. Sherman replaces Chester McNutt, who retired. Sherman resigned from Zayre Stores this summer. He is active in the presidential campaign of Massachussetts Gov. Michael Dukakis, as well as several Boston-area non-profit organizations.

Guinan Nabs Consolidated Post

COLUMBUS, Ohio — Former Caldor chairman James M. Guinan will join Consolidated Stores on Nov. 16 as senior executive vice president, and president and ceo of Consolidated's retail division. Guinan replaces Sol Norflus, who resigned on Oct. 26. A 30-year retail veteran, Guinan has served as president and coo of Bloomingdale's; president of Milwaukee Boston Stores; and president and later chairman and ceo of Gold Circle. Consolidated operates 287 Odd-Lots and Big Lots stores in 11 states.

CD Parent to Buy Remaining Shares

TORONTO — Provigo Inc., parent of Consumer Distributing (Canada), has made a $120 million (Canadian) buyout offer for the 19 million CD shares it doesn't own, with the tender offer due to expire at presstime. Provigo, a Montreal-based food distributor, will pay $5.50 a share, subject to receiving at least 50 percent of the Class A stock and 63 percent of the Subordinate Voting Class B stock it doesn't own. Provigo holds nine million CD shares overall.

K mart to Accept Sears Discover Card

TROY, Mich. — K mart will begin accepting the Sears Discover Card at all locations on Nov. 15. The discounter decided to add the card six months ago after a successful test of the credit card in 73 Georgia K mart stores in fall 1986, said Barbara Palazzolo, director of marketing and product publicity.

Haimsohn Named Chairman of Dimes

DENVER — PACE Membership Warehouse chairman and president Henry Haimsohn has been named chairman of the executive committee of the Greater Colorado Chapter of the March of Dimes.

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New Teleshop Show Sells Auto Parts

NASHVILLE, Tenn. — Specialty auto parts, such as the Kooltron plug-in refrigerator ($129.95) for pickup trucks and vans, have joined the burgeoning list of goods sold on television shopping programs.

Called the Auto Specialty Magazine, an auto parts teleshopping program made its debut Oct. 4 on cable television's Nashville Network. It is one of more than 50 teleshopping programs on the air.

Organizer of the show is Joe St. Lawrence, owner of Best Brands Auto and Truck Parts, which is a prime sponsor of the program. In effect, St. Lawrence's company becomes the order fulfillment house for goods the show offers.

The program airs on Sunday, which the Nashville Network otherwise devotes to sports programming. Its three, half-hour programs, broadcast at 10 a.m., 3:30 p.m. and 7:30 p.m., are sandwiched between programs of stock car, motorcycle and drag racing, said Glenn Mitchel, vice president of Burroughs & Associates, the show's producer.

Each show features 15 products and is broken into three segments, Mitchel said.

The first is a show scene from the Auto Show held in Chicago last August. Another is a new products preview, and the third is a Lookin' Good segment featuring appearance accessories, such as louvers and front end bras. One of three hosts is Alan Westbrock, a hard parts expert who explains how to make repairs in home garages.

A catalog offering 15,000 specialty items will be available to viewers, Mitchel said.

The first items offered included a Warn Manufacturing winch and "enforcer" steel bumper for $800. Mitchel said the show sold three of the winch and bumper combinations the first day.

"I was really surprised."

The show fills a niche because many of the hard-to-find items offered get only "spotty distribution" in specialty shops, Mitchel said. Many items, such as Crane high performance camshafts, have to be special ordered and take up to four days for delivery, Mitchel said. Auto Specialty Magazine can ship within 36 hours, either by drop shipment direct from the manufacturer or direct shipment from a performance warehouse, he said.

In some cases, consumers get a "sweet price" on drop shipments and pay far less than if they ordered from a catalog, he added. However, customers pay the freight on all shipments.

Auto Specialty Magazine warehouses only a few parts, such as the spark plugs offered free to motorists who bought a set of Autolite spark plug wires. That offer was "a real smash," Mitchel said.

Family Dollar Names New President

MATTHEWS, N.C. — Family Dollar Discount Stores, a 1,281-unit chain of discount stores based here, announced that Ralph D. Dillon was named president and chief operating officer effective Oct. 26.

Dillon, 47, also will be a member of the company's board of directors. He replaces Lewis E. Levine who resigned in September.

Dillon was most recently president and chief operating officer at CoastAmerica Corp., a Denver-based company operating more than 1,000 Coast to Coast hardware stores. Before that, he was president and chief executive office of Bowater Home Centers, a warehouse home center company he started in 1982.

Prior to creating the Bowater stores, Dillon spent 10 years with the Wickes Lumber Division of Wickes Companies.

Leon Levine, chairman and chief executive officer of Family Dollar, said in published remarks that Dillon's 15 years of retailing experience will help the company consummate its ambitious expansion plans for the current fiscal year: 165 new stores including its first Wisconsin unit.

Family Dollar reported sales for fiscal 1987, ended Aug. 31., of $56.34 million, up 15 percent from fiscal 1986. Net income, however, fell 19 percent below the 1986 total to $30.51 million, and earnings per share decreased to 86 cents compared to $1.06 during the last fiscal year.

Levine attributed the disappointing earnings to a slide in comparable store sales, which increased less than 0.5 percent.

Last year, Family Dollar added 165 stores to the chain, including its first store in Kansas, and completed the final phase of the expansion and automation of its distribution center in Matthews, now containing 775,000 square feet.

During third quarter of last year, Family Dollar implemented an "everyday low price" program. The chain also unveiled a new store layout.

Pay Less Buys 24 Osco Drug Stores

WILSONVILLE, Ore. — K mart's super drug chain Pay Less NW strengthened its presence in the Pacific Northwest with the acquisition of 24 Osco Drug stores for an undisclosed amount.

The acquisition includes store personnel and comprises 10 stores in Idaho, one in Oregon, one in Northern California, and 10 in Washington—including five in Spokane, a new market for Pay Less.

Pay Less acquired all of Chicago-based Osco's merchandise, except private label products, and took possession of the 16,000-square-foot to 41,000-square-foot stores in mid-October. As store signs are changed to the Pay Less name within the next month, the K mart division said it will gradually change the product mix to its own.

While the core drug store products will remain similar to Osco's, Pay Less' executive vice president Timothy McAlear said there will be a shift toward a greater selection of sporting goods, auto products and hardware.

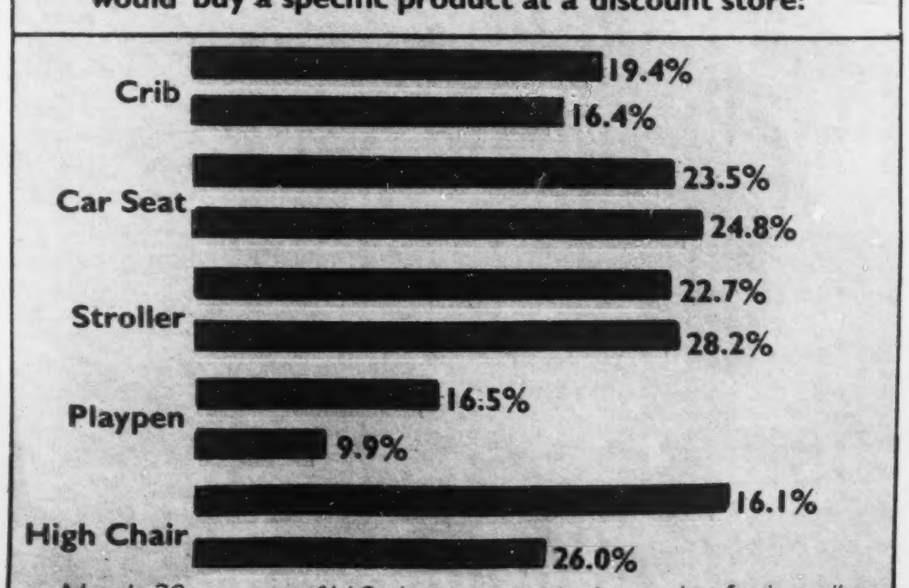
The deal increased Pay Less' store count to 248 while reducing Osco to 646 stores. In recent months, Osco has been realigning its markets, having swapped stores with another drug chain, Walnut Creek, Calif.-based Longs, in June.

Pay Less had been considering several acquisition possibilities, and the Osco agreement was "a good deal for both of us," McAlear said. The inclusion of the Spokane market was an added bonus. "It's tough to go into a market like Spokane and find locations."

In Spokane, competitors include Thrifty, Drug Fair and Pay 'n Save, Fred Meyer, Shopko and its parent K mart.

Consumers Will Turn to Discount Stores For Car Seats, Strollers and High Chairs

- **Percent of respondents "in the market"* for juvenile products who plan to purchase a specific product:**
- **Percent "in the market"* for juvenile products who would buy a specific product at a discount store:**



Nearly 20 percent of U.S. shoppers are in the market for juvenile products, according to a new DSN survey, see page 33.

*Either bought in past year or plan to purchase in coming year

Source: Leo J. Shapiro & Associates/Discount Store News, November 1987

Home Products

New Parents Fuel High End in Juvenile Products

By Peter Hisey
Nationwide DSN Report

Nearly 20 percent of American shoppers are "in the market" for juvenile products, but less than one-quarter of them, on average, would shop a discount store for cribs, car seats, strollers, playpens or high chairs.

According to a new consumer attitude study conducted during August and September by Leo J. Shapiro & Associates, Chicago, for *DSN*, 11 percent of U.S. households report there is a chance that during the coming year they will be purchasing some products for babies and toddlers.

The nationally projectable study found that 19 percent of U.S. households are "in the market" for products for babies and toddlers, i.e., they are either planning to make such a purchase or have made a purchase during the past year.

However, among the 11 percent of U.S. households that actually will purchase juvenile products like cribs, car seats, playpens or strollers, discount stores mostly performed better as a source for these products than with the population as a whole.

For instance, only about 11 percent of total respondents "in the market" (have purchased or will purchase) chose discount stores as a source for cribs, as opposed to over 16 percent of those actually in the market for a crib. About 22 percent overall thought of discount stores for high chairs vs. 26 percent of the immediately interested.

Playpens, for some reason, reversed the trend. While about 20 percent of all respondents would purchase a playpen in a discount store, less than 10 percent of those most likely to actually buy one would look at juvenile product departments in discount stores.

Sears, which often outperformed discount stores as a group with the general population, did not fare nearly as well with consumers currently planning to buy. For instance, in the stroller and high chair markets, Sears' share fell from nearly 20 percent to less than 10 percent among active shoppers.

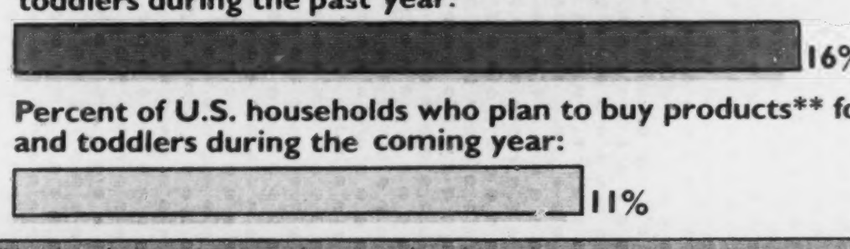
On the other hand, those in the market for playpens clearly favored Sears over discount, department and specialty stores, with a slightly higher percentage of support than among the respondent universe.

The most dramatic shift in support, however, was among specialty stores, which garnered over 10 percent ratings in every category among all respondents, but no higher than 5 percent (and as low as 1 percent) among those actually considering a purchase.

For example, in the crib category, specialty stores finished a strong second to national merchandisers (which includes Sears) among the general population, with more than one in five naming a specialty store. However, only one in 20 actually considering buying a crib indicated that they would shop a specialty store.

(Continued on page 35)

Nearly 2 out of 10 Consumers Are in the Market* For Juvenile Products


Percent of U.S. households who bought products** for babies and toddlers during the past year:
16%
Percent of U.S. households who plan to buy products** for babies and toddlers during the coming year:
11%

*Either bought in past year or plan to purchase in coming year
**Such as cribs, strollers, playpens, car seats, etc.
Source: Leo J. Shapiro & Associates/Discount Store News, November 1987

Larger Families Shop Discounters for Kids

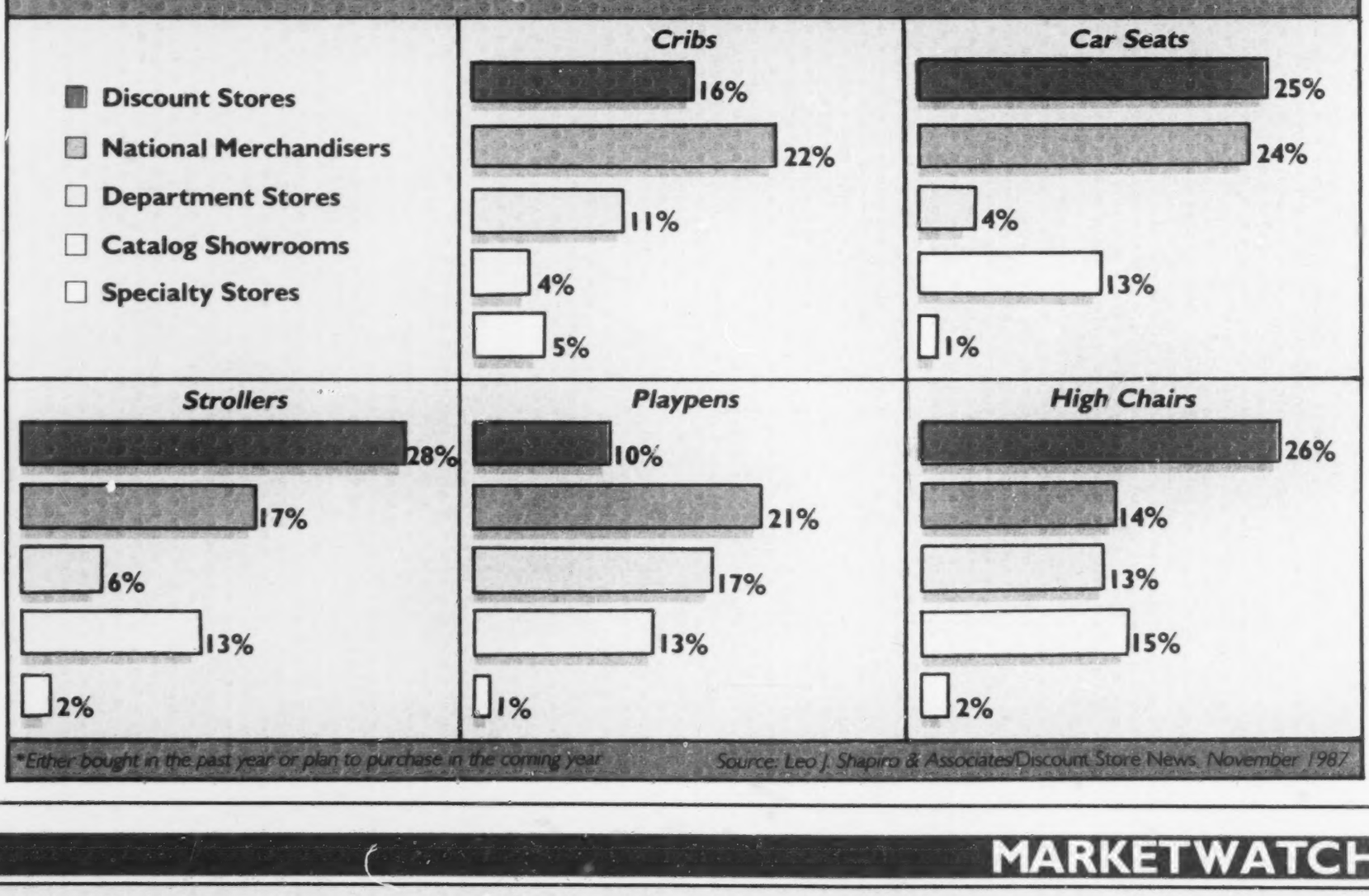
Nationwide DSN Report

A new *DSN*/Leo J. Shapiro & Associates study of juvenile product consumers revealed that these consumers tended to be younger and slightly wealthier than the population as a whole. Demographically, juvenile product consumers varied considerably from the population as a whole, and discount and non-discount factions of that group had certain identifying characteristics.

Predictably, those in the market tended to be younger (37.5 years vs. 43.9 years), about as well educated as, and slightly wealthier ($30,100 per year vs. $29,800 per year) than the population as a whole. They basically fit the national employment profile, although there were greater numbers of technical and clerical workers among those in the market. And although they had slightly fewer children than the population at large, their children tended to be younger, which corresponds to their relative youth and need for these products.

(Continued on page 34)

Where Active Shoppers* Plan to Purchase Each Juvenile Product:



*Either bought in the past year or plan to purchase in the coming year
Source: Leo J. Shapiro & Associates/Discount Store News, November 1987

MARKETWATCH

CHICAGO — The **National Housewares Manufacturers Association** (NHMA) workshop, focusing on Electronic Data Interchange (EDI) technology, attracted over 50 association members last month with a panel of four retail industry leaders. Panelists consisted of: Gary Sweetapple, K mart director of corporate systems development; George Klima, Super Valu Stores director of accounting systems and procedures; R. Vincent Conant, Carter Hawley Hale Stores president and chief executive officer; and Blake Bolton, Cotter & Co. department manager of inventory control. The workshop, entitled, "How to Meet Your Customers' EDI Needs," provided information on computer-to-computer merchandise re-ordering systems. In addition to the panel discussion, Cyrus Wilson, president of Management Horizons, the Ohio-based retail consulting firm, spoke on the merits of EDI and William Plumb, president of Ordernet Services division of Sterling Software, demonstrated several approaches to EDI that were appropriate for vendors of varying size.

* * *

HICKSVILLE, N.Y. — **Newmark & Lewis**, a metro New York 46-store CE chain, reported a 14 percent jump in September sales to $17.7 million from $15.5 million in September 1986. Comparable store sales, however, declined 1 percent during this period. For the eight months ended Sept. 30, sales climbed 24 percent to $154.7 million from $124.7 million over last year and comparable store sales gained 6 percent.

* * *

MINNEAPOLIS — **Best Buy**, a Midwestern chain of 37 CE superstores, expanded further into the St. Louis market with new superstore openings in St. Charles and Webster Groves, Mo. The new stores—a 28,800-square-foot superstore in St. Charles and a 26,000-square-foot outlet in Webster Groves—each contain between 20,000 square feet and 24,000 square feet of selling space. In total, the company now operates more than 627,000 square feet of retail selling space.

* * *

TAYLOR, Mich. — **Highland Superstores** reported September sales were up 8 percent to $53 million from $49.3 million last year. This increase reflects both new store sales and a decrease in comparable store sales of 14 percent. The 63-store CE chain attributed disappointing September sales to continuing adverse economic conditions in the Texas markets, as well as a softening of demand in the Midwest markets due to uncertainty related to auto labor negotiations during the month.

Larger Families Prefer Discounters for Juvenile

(Continued from page 33)

Among those in the market, demographic patterns suggest that experienced parents tend to favor discount stores, perhaps because of the hand-me-down factor or because second-time parents understand that juvenile products give new meaning to the term "planned obsolescence."

Typically, smaller households (with fewer children) favored non-discount outlets. If the experienced grandparent segment were to be separated from the childless couple segment of the small households, however, non-discount stores' superiority at this level would be enhanced.

Discount shoppers tended to have larger households, with about one-third of those shoppers in the market having five or more family members at home, vs. about one-tenth of non-discount shoppers. About half of each group had three to four occupants per household.

Discount shoppers were far more likely to have children, and they tended to have young children at home. Non-discount shoppers were about evenly split between those with and those without children, but relatively speaking, they tended to be more likely to have older children.

Family income seemed to make little difference in outlet selection, as percentages of respondents with incomes over and under $20,000 were relatively constant among both discount and non-discount shoppers (about 70 percent of each group makes over $20,000 a year). Median income for discount shoppers was $28,600 while non-discount consumers brought home $30,800.

Education tended to be similar, although a higher percentage of discount shoppers had graduated from college than had among the non-discount fraternity. However, non-discount buyers were more likely to work in a white collar occupation or to be unemployed (implying retired).

Discount shoppers, as might be implied by the above, were dramatically younger than non-discount buyers, with 80 percent under 45 compared to 60 percent of the non-discount buyers under that age. The mean age was 34.7 years for discount shoppers and 38.8 years for others.

Blacks, who were slightly underrepresented in the study (less than 8 percent of respondents) were slightly more likely to shop discount stores than was the population as a whole. Hispanics, on the other hand, showed a distinct preference for non-discount outlets.

Of those actively in the market for at least one of the juvenile products, 52 percent planned to use the item(s) themselves, 32 percent were looking for a gift and 5 percent said that the item(s) would be used for both purposes. Gift-givers were less likely to go to a discounter, perhaps reflecting a prestige element in their shopping decisions.

Overall, two-thirds of the population in the market for juvenile products indicated that they would shop at non-discount outlets. Regionally, discount support was strongest in the East and West North Central and East South Central regions. Discount support was lowest in New England and the South Atlantic regions.

The survey, conducted late this summer, contacted 903 "heads of households" throughout the United States, asking each if he or she planned to purchase juvenile products within the next year. Respondents were then asked if they or anyone in their household had purchased any juvenile products during the past year.

Of the 903 respondents, 176 (net, excluding duplicate affirmative answers) had done one or the other. These 176 persons were considered "in the market." They were then asked if they intended to purchase specific products within the next year, and those who answered yes were classified as "currently in the market" for that product.

Demographic Characteristics of Discount vs. Non-discount Juvenile Products Shoppers

	Discount	Non-discount
Buying for Own Use	61%	48%
Mean Number of Persons in Household	3.83	3.12
Mean Number of Children in Household	2.03	1.66
Planning to Have More Children	46%	35%
Percent Employed:	76%	69%
Professional	6	17
Technical	5	8
Clerical	8	7
Sales	5	4
Craftsmen	12	10
Managers	18	14
Mean Household Income (000s)	$28.6	$30.8
College Grad	20%	12%
Mean Age	34.7	38.8
White	89%	90%
Black	10%	5%

Source: Leo J. Shapiro & Associates/Discount Store News, November 1987

New Parents Fuel High-End Demand in Juvenile Products

(Continued from page 33)

Full-line department stores performed at about even levels within the two groups, but toy stores lost considerable ground with active shoppers. Catalog showrooms, barely recognized in all the results, made significant gains among those most likely to buy, often with doubled ratings. For instance, while only about 7 percent of all respondents would consider a catalog showroom as a source for a high chair, over 15 percent of those actually in the market for one chose catalogers as their most likely source.

Consumers proved to be well-versed in the retail cost of various items, with those in the market predictably a bit less inclined to spend freely. When asked what they expected to spend on each of the five products, active shoppers proved to be very tight with their money in all areas except one—cribs.

This Best Products showroom in Minneapolis, Minn., makes a powerful statement with juvenile products highly merchandised near the entrance of the store. (DSN photo)

In that category, about one-third of those planning to buy a crib expected to pay over $250, the highest price point included in the survey. A little less than 20 percent of all respondents expected to pay that much. Nearly half of those in the market (including the ones just mentioned) expected to pay over $200 vs. less than one-third of all respondents.

Car seats had an atypical upper-end bulge in the response rate of active shoppers. Over 10 percent of respondents expected to pay between $80 and $89.99, while a significant majority expected to pay less than $60. Active stroller shoppers split into those who expected to pay $40 or less (about two of five) and a strong upper-end minority (a little over 10 percent) who planned on spending between $100 and $149.99.

Playpen shoppers clustered in the middle ground, with nearly 60 percent envisioning expenditures between $40 and $69.99. Nearly 40 percent of buyers expected to pay less than $40 for a high chair.

Nearly twice as many probable buyers said they would shop traditional retailers as said they would choose discounters as their likely source. To no one's surprise, the non-discount segment generally expected to pay more for each product than those who would shop discount stores. For instance, more than three of five discount shoppers planned to spend less than $59.99 for a car seat while over half of active shoppers who would not shop a discount store expected to pay between $50 and $89.99.

Active discount shoppers expected to pay less than $174.99 for a crib (by an overwhelming margin) while over a third of non-discount patrons planned on spending $200 or more. Another 40 percent of those consumers expected to pay an upper middle range of $100 to $174.99. By contrast, an identical 40 percent of discount shoppers expected to pay less than $100.

The results in the stroller category were even more vivid, as nearly 20 percent of non-discount shoppers said they would pay $100 and up for a stroller, while nearly half of discount shoppers would pay no more than $49.99. Overall, over half of non-discount shoppers expected to pay $50 or more, indicating that upper-end prestige products, like Aprica's line, have made a significant dent in consumer spending patterns.

Of those in the market for juvenile products, over half buy diapers in grocery stores, with about one in five buying them in discount stores. Drug stores were the third most popular outlet.

Pampers, with about half of responses, was easily the most popular brand with target consumers. Huggies, which were named by about 20 percent of respondents, were the second most popular, with Luvs, at 15 percent rounding out the top three. Kleenex and Revco store brand combined for less than 5 percent between them.

WELCOMES TO THE LINE--Pillsbury®

Our Cannon kitchen collection...
Towels, Dish Cloths, Pot Holders,
Oven Mitts, Aprons and Rugs.
Whimsical, country, contemporary...
Fashions to satisfy every taste.

CANNON®

ENTERING OUR SECOND CENTURY

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™

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The Fate of Crazy Eddie Is Now in the Hands of New Board

(Continued from page 1)
store CE chain back to profitability in the tough metro New York market.

Perhaps the most intensely competitive consumer electronics market in the country, CE retailers have likened competing in New York to fighting with "bare fists." Even the nation's leading CE chain, Circuit City, was forced to fold its tents in the New York market in February 1986 due to the unprofitability of its Lafayette stores.

And while Crazy Eddie was once flying high in this market, its recent troubles could make it very difficult for Zinn to reverse the trend.

Crazy Eddie reported a loss of $10.3 million on sales of $158.5 million for its first half of fiscal 1988, ended Aug. 30, compared to net income of $6.2 million on sales of $139.3 million last year.

Manhattan and New Jersey are currently the two weakest markets for the chain, said Zinn, speaking from the opening of Crazy Eddie's 42nd store in Willow Grove, a suburb of Philadelphia, on Oct. 27. Out of the chain's total stores, a little more than half are located in Manhattan (11) and New Jersey (12).

"Crazy Eddie has definitely lost an edge in the metro New York market and this is our largest concern," Zinn said. "However, we don't see any problem in the suburban areas. The stores are bigger and the operation there is running very smoothly."

Zinn said it is especially important for Crazy Eddie to bring back major brand names such as Panasonic, Sony and JVC. These vendors have abandoned business with Crazy Eddie over the last six months due to the chain's poor financial situation.

Zinn is also considering revamping Crazy Eddie's highly price-oriented strategy.

Since relying solely on price may not be enough when everyone promises to beat everyone else's price, Zinn hopes to use the zany antics of Crazy Eddie's high-profile ad spokesman, Jerry Carroll, to promote additional benefits such as customer service.

In a proxy statement issued by the Committee to Restore Stockholder Value, led by Zinn's Entertainment Marketing and the Oppenheimer-Palmieri Fund L.P., New York, the group said it would turn Crazy Eddie around by concentrating on motivating sales personnel and on reducing corporate overhead. Zinn said he hopes to excite the sales force with better compensation in the form of a commission program.

Selling, general and administrative expenses continue to take a big chunk out of profit. These costs increased to 29.4 percent of net sales for the first half of fiscal 1988, from 16.8 percent over the comparable period last year.

Zinn said he'll meet with department heads to determine where trouble areas exist.

"I am a maniac when it comes to wasting money," he said. "It will take me little time to find and isolate the cost centers that are unnecessary. Just by lowering salaries to reasonable levels, the company will save millions of dollars upfront."

While Zinn may have experience in consumer electronics and a knack for efficient money management, some industry observers are skeptical that he possesses the CE retail experience necessary to be successful in such a tough market as New York City.

Zinn countered that he was president for nine years of a then 72-store and now defunct CE chain, Houston-based Custom Hi-Fi. He resigned a year and a half before bankruptcy proceedings began.

He has been living in Manhattan and doing research in the market since September. "I have talked to every major vendor, to competitors, and Crazy Eddie store managers and salespeople," he said. "I believe I have a pretty good feel of the market."

The old Crazy Eddie leadership was unsuccessful in securing a commitment from the Zinn-Palmieri group to refrain from taking the chain private until it regains stability. Zinn said he wants to leave his options open until he gets a better picture of the firm.

Together, Zinn, Entertainment Marketing and the Oppenheimer-Palmieri Fund spent approximately $30 million to own 17 percent, or 5.2 million shares of Crazy Eddie. Based on the closing price of Crazy Eddie's stock on Oct. 26 at $2.25, the group has incurred a paper loss of $18.2 million, more than half the original investment.

After the Crash: Raiders Back Off; Retailers Plan Buybacks

(Continued from page 1)
The junk bond market "isn't real great," conceded Cecilia Norwood, Southland manager of investor relations. "We're obviously keeping a close watch on the market. We're evaluating it every day."

Norwood declined to speculate on what would happen to the LBO if the Thompson family was unable to float the $1.5 billion in junk bonds.

On July 31, the Thompsons bought 31.5 million of the 48 million Southland shares outstanding at the tender price of $77. On Oct. 26, Southland closed at $48.50, indicating a paper loss of about $900 million for the Thompson family.

Sam M. Walton, chairman of Wal-Mart, has suffered a paper loss of a similar magnitude since Black Monday, an indicated $872 million, on his family's 218 million shares of Wal-Mart.

Walton is taking a philosophical approach to the losses. "It's paper anyway," he said in a press report. "It was paper when we started, and it's paper afterward."

On network newscasts following Black Monday, Walton expressed more concern for the small investor than for himself, the richest man in America with $5.8 billion worth of Wal-Mart stock, even at today's level.

Unavailable for comment was Edward DeBartolo, a real estate developer from Youngstown, Ohio, and owner of the NFL's San Francisco 49ers, who prior to Black Monday, announced intentions to acquire Zayre, Framingham, Mass.

Zayre stock plunged from $31 on Oct. 13 to $15.63 on Black Monday. As of Oct. 26, Zayre stock had recovered to $17.50. Zayre responded to the crash by announcing plans to increase authorization to buy 5 million shares from the 3 million authorized on Oct. 20, 1986. Prior to the crash, Zayre had repurchased only 1 million under last year's program. But the day after the crash, Zayre bought 1,394,700 more shares, said treasurer Steve Wishner, out of 56.7 million outstanding.

Moreover, Zayre also plans to buy back 750,000 of the 9.4 million shares of TJX, the company it spun off in July to capitalize on the success of its T. J. Maxx off-price apparel chain. Its stock initially sold for $23 a share, rose to a high of $28 and then plunged to a new low of $12.75.

Other discounters among the many corporations either to announce or to increase stock buybacks include: Best Products, 2 million shares; CVN, 1 million shares; Dress Barn, 1 million shares; and Pic 'N' Save, 4 million shares.

In announcing the Pic 'N' Save buyback, president Lewis B. Merrifield III said, "The company has decided to institute an open market repurchase program because we believe that the company's common stock presents an attractive investment opportunity at current prices.

"Due to the overall stock market volatility and the current negative perception of retail industry stocks now prevailing among stock analysts, the company's common stock is trading at the low end of its 52-week range and near the price prevailing during 1985."

That high was $29.50. On Oct. 26, Pic 'N' Save closed at $11.

Best Products spokesman Mark Murphy said, "The price is so low, it provides a terrific opportunity." When Best announced the buyback plan Oct. 20, its stock had sunk to a low of $6, or less than half its book value of $14.30 per share.

Best's ability to repurchase shares is limited because cash is at a low point in its annual cycle. Best has about $12 million in cash available for buybacks, Murphy said, but must use most of its cash to build Christmas inventories.

Takeovers Still Viable if Financing Is Available

Nationwide DSN Report

Despite the turmoil in financial markets and a pending tax bill that would limit interest tax deductions on takeover financing, the restructuring of corporate America through acquisitions, mergers and leveraged buyouts appears far from dead.

Depressed stock prices still make takeovers and leveraged buyouts tempting—if financing again becomes available, said Fred Wintzer, an analyst for the Baltimore brokerage firm of Alex Brown & Sons. "Takeovers make sense, if the money is available."

"A lot of hostile takeovers, financed with funny stuff, may be on hold," he said.

If acquisitions resume, "maybe we'll go back to the normal pattern of big fish taking over little fish, and less of the zany stuff and fewer hostile takeovers."

Specialty apparel chains appear to be particularly good bargains in today's market, Wintzer said. Selling before the crash for as much as 22 times earnings, chains such as Dress Barn now sell for about eight times earnings, he said.

T. Boone Pickens, the consummate corporate raider, predicted that plunging stock prices could touch off a new wave of corporate takeovers.

Appearing at a takeover symposium in Atlanta, Pickens said, "If companies were attractive targets when the Dow was at 2,500, they will be even more attractive with the Dow at 1,800," *The New York Times* reported.

"When you have this kind of dramatic activity in the stock market, you have people who say, 'I'm not willing to do any financing until I see which way this thing is headed,' " he said.

That caution could dampen takeover activity, Pickens said, but added, "I don't think this is going to last very long."

At presstime, the U.S. House of Representatives was set to vote on a $12 billion tax increase bill that also would dampen takeovers. One provision of the bill would limit to $5 million the amount that could be deducted from taxes for interest on securities floated to finance takeovers.

Some takeovers are almost completely financed through high-interest junk bonds. Deductibility of interest is a major factor in computing cash flow—and hence market price—of the target company. Some economists predict that ending the interest deduction would deal a crushing blow to potential takeovers.

Undaunted by market insecurity, Seymour Holtzman, president of Jewelcor, Wilkes Barre, Pa., announced Oct. 26 plans to take the catalog showroom chain private in a $42 million leveraged buyout.

Holtzman expects to use straight bank financing, rather than float junk bonds, said Michael Dodge, director of corporate development. At presstime, Jewelcor was expecting to disclose the details by Nov. 5, Dodge said.

Jewelcor stock closed Oct. 26 at $13.50, compared to its pre-crash high of $19.25.

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Discounters: Yule Be Alright Despite Market Crash

But Weaker Sales, Profits Predicted for 1st Half of Next Year

By Richard C. Halverson
Nationwide DSN Report

Black Monday's stock market crash has had little, if any, effect on Christmas plans of discounters.

However, a number of economists and industry observers caution that the aftershocks of the crash will contribute to weaker sales and profits through the first half of 1988.

Surveys show that consumer confidence remains fairly strong and retail sales for October are reflecting the same sluggish pace that prevailed all summer, with no marked decline since the crash (see accompanying story).

Problems with bloated inventories at off-price apparel chains started piling up last June—long before the Dow Jones Average plunged 508 points Oct. 19.

"I see no evidence that the crash has affected discounters," said James Newton, president of Economic Perspectives, a Delaware, Ohio, marketing research and consulting firm that includes a number of major discount chains among its clients.

"They were geared up for a modest Christmas, and I expect them to have a modest Christmas. I foresee no bloodbath," even though more price-cutting than usual might affect profits, he said.

In fact, the crash, which hit higher income consumers harder than it did middle income groups, might help apparel retailers a bit because consumers could shift spendable dollars out of big-ticket durable goods into consumable purchases, such as apparel, Newton predicted.

Newton said he made his projection of a modest retail decline of 0.5 percent in 1988 before the crash but had already factored in the impact of an anticipated stock market decline.

Jack Brouillard, senior vice president of finance at Hills Department Stores, Canton, Mass., said, "We haven't changed our Christmas plans in any way because of the crash. We always keep inventories tight. Basically, we're keeping an eye on conditions."

K mart, Troy, Mich., so far has seen "no noticeable affect of the crash on business," said Orren Knauer, director of investor relations. Accordingly, "There's nothing different now for Christmas.

"We're watching sales patterns, as we always do," Knauer said, "and we're alert to any further break in the stock market that could lead to consumer uncertainty."

Predicting what consumers will do has become particularly hazardous since the crash, Knauer said, referring to a *Wall Street Journal* column that rated the safety of post-crash economic forecasting on a par with skydiving.

At S.E. Nichols, New York, "It's hard to tell any immediate impact on sales from the crash," said senior vp for

(Continued on page 26)

October Sales Shrug Off Effects of Black Monday

Nationwide DSN Report

October retail sales of the major discount chains reflect no readily apparent damage from the stock market crash of Oct. 19. Of those chains reporting results this month, most fall within the same sluggish pace set over the summer and fall but with some softening in big ticket items.

Stock prices also bounced back somewhat during the two-week period ended Nov. 6. Of 63 discounter issues on *DSN*'s stock index, 26 advanced, 30 declined and seven were unchanged. That compares favorably to the previous two-week period when all 63 issues fell in price.

(Continued on page 26)

STOR Introduces IKEA-Style Home Furnishings Outlet in So. California

By Pamela Krein

CITY OF INDUSTRY, Calif. — STOR, a new contemporary home furnishings retailer, opened its first of 30 planned locations here in late October.

Similar to IKEA, Conrans and Federated Department Stores' HomeWorks in product selection, ambience and operating philosophy, STOR offers European-styled, ready-to-assemble furniture and cabinets, domestics, and housewares in a 150,000-square-foot, two-story site.

With 70 complete room vignette displays, a self-service warehouse and compact packaging, STOR said it aims at providing "quality and contemporary design at an affordable price."

New STOR: Jim Stadtlander, president, and Harvey Knell, executive chief officer, at debut.

In addition to the home furnishings, STOR also contains a children's activity center, a restaurant and an international food store.

The privately held company, located some 25 miles east of Los Angeles, anticipates opening three additional stores in 1988, and expects to have 30 stores—primarily in California—within the next three to five years.

Three aisles of "Super Buy" promotion tables parade through Caldor, Secaucus, N.J., indicative of the chain's renewed commitment to low pricing. (DSN photo)

Caldor Tackles Ambitious Plan to Revitalize Stores

By Mary Ellen Kelly

NORWALK, Conn. — Caldor plans to make use of K mart and Wal-Mart-type merchandising dynamics to improve its merchandise and service orientation, according to Don Clarke, chairman.

Clarke described the recent rash of in-store merchandising and decor changes as the "evolution of a new operating environment," that is meant to revitalize Caldor's "old, tired looking stores."

Sharper prices, higher profile displays, abundant bargain tables, new security systems and updated interior decor are among the alterations which mirror examples set by discount powerhouses K mart and Wal-Mart.

"We are trying to grow the business we currently have

(Continued on page 4)

Former Caldor Exec Heads TSS-Seedman's

By Laura Liebeck

BROOKLYN, N.Y. — Julius Kasinitz, a veteran retailer who has held top positions with Two Guys, Caldor and Almy's, was named chairman, president and chief executive officer of TSS-Seedman's earlier this month.

His Nov. 2 appointment coincided with the closing of the sale of the 32-unit discounter to an investment group for $50 million in cash and stock.

Under the terms of the sale, George Seedman, who founded the chain as Times Square Stores in 1929, retains an undisclosed amount of stock and continues as chairman of the company's advisory committee. Longtime TSS executive Barry Gold remains vice chairman of the board.

Resource Holdings, the New York City-based merchant banking group that purchased 81.36 percent of the stock, also provided a $7 million cash infusion to be used as working capital, said a spokesman.

Kasinitz, 59, told *DSN* he intends to both grow and diversify the company, paying particular attention to the 12 full-line New York metropolitan area discount stores which

(Continued on page 4)

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MARKETWATCH

Southland Buyout Attempt Fizzles

DALLAS — Unable to find buyers for $1.5 billion worth of junk bonds, Southland Corp. announced it cannot proceed with plans to take the company private through a $4 billion leveraged buyout. The impasse puts in question plans to sell its Chief Auto Parts chain, the dairy supplying its 7-Eleven convenience stores, and other assets to pay down acquisition debt. Prior to the stock market crash on Oct. 19, it had hoped those assets would fetch $1.1 billion. Following the news Nov. 10, Southland stock plunged $16.25 to $51.50, another blow to a stock crushed in the crash. On Aug. 1, the controlling Thompson family acquired two thirds of Southland's shares at $77 per share.

Sport Goods Warehouse Opens in Florida

FORT LAUDERDALE, Fla. — Sports Authority, the warehouse-style sporting goods operation founded by former Herman's executive Jack Smith, opened its first store in early November, in Fort Lauderdale. According to Smith, this will be the first of eight in southeastern Florida, with a second now under construction in North Miami.

IMRA to Hold Distribution Conference

SAN DIEGO — The International Mass Retail Association will hold its fourth annual Distribution and Transportation Conference here Jan. 20 to 22, 1988, at the Intercontinental Hotel. Speakers will include Wal-Mart's Robert L. Martin (VICS Committee update/UPC Bar Code Standards) and keynoter Peter Crosby ("Innovative Management Using Today's Technology"). More breakout sessions on a variety of subjects will also be included in the program, as well as manufacturer exhibits. For registration information, contact IMRA at (212) 354-6600.

Zayre Expands Discount Tire Centers

FRAMINGHAM, Mass. — Zayre has expanded its discount tire centers, called Tire Slashers, to 97 stores out of the 105 that formerly offered automotive service. In August, Zayre ended all automotive service. The rollout followed a brief and successful test in 10 stores. Stanley Berkovitz, vice president, consumer affairs, said that Tire Slashers offer name brand tires at "incredibly low prices." Tire prices are "very comparable" to those at Zayre's warehouse club subsidiary, B J's Wholesale Club, Berkovitz said.

Wal-Mart Cited as Canadian Tire Suitor

TORONTO, Canada — Canadian Tire Company, Canada's largest auto aftermarket chain, will likely become a takeover target because of feuding within the controlling Billes family. Within Canadian financial circles, Wal-Mart is being mentioned as one of several potential buyers, said Neil Wickham, an analyst for Walwyn, a Toronto brokerage firm. Others mentioned include Sears Canada, Seagrams and Molson, the Canadian brewer. Merrill Lynch Canada, also located in Toronto, has been asked to locate a buyer for Canadian Tire, which logged sales of $2.3 billion (Canadian) in 1986, equal to about $1.6 billion (U.S.).

Wal-Mart's Self Resigns

BENTONVILLE, Ark. — Charles Self, vice president, corporate finance at Wal-Mart, resigned, effective Nov. 13. Paul R. Carter, executive vice president of special divisions, has been promoted to exec vp of finance, assuming Self's responsibilities. Carter will also retain some of his former duties. Westley C. Wright, who was vp of personnel, will head special divisions. Self, 53, told *DSN* that he will be moving to the state of Washington to pursue personal interests, adding that any business activities "will not be in discounting. If I wanted to stay in discounting, this is the place to be." Self said his years at Wal-Mart—he joined the discounter from Zayre Corp. in 1979 as controller—have been "the highlight of my business career. It's an exciting place with exciting people."

FOR THE RECORD

The photograph of ladies' hosiery that appeared in *DSN's* Oct. 26 issue was taken at a Bradlees store. *DSN* inadvertently misidentified the chain.

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K mart Introduces Martha Stewart Home Goods Program in 406 Stores

TROY, Mich. — The long-awaited introduction of Martha Stewart as the K mart spokeswoman for its Home Fashions Division was unveiled on Nov. 9 with the opening of 406 newly reformatted Kitchen Korner departments and magazine and television advertising.

TV ads will be contained to the 406 stores in 11 markets—Detroit, Chicago, Dallas, Philadelphia, Atlanta, Tampa, Fla., Indianapolis, Denver, Seattle, Minneapolis, and Kansas City, Mo.—until mid-December when the ads take a hiatus until national rollout during the Winter Olympics, said K mart marketing consultant Barbara Loren, president of Loren Synder Marketing, Birmingham, Mich.

By March, all K marts will have the full Martha Stewart program, including in-store signage, a bookrack for her books, and "Kornerstones," a "tip sheet" on entertaining.

Costco Sales, Earnings Rise in 1987

SEATTLE — Closing its most ambitious year, Costco Wholesale reported an 83 percent sales gain to $1.37 billion and a 14 percent net income increase to $5.04 million for the fiscal year ended Aug. 30.

During fiscal 1987, Costco experienced its most rapid period of growth, opening 20 warehouses. With the opening of an additional warehouse since the close of the year-end, Costco has 43 sites in nine states and western Canada.

Costco recently increased its bank credit commitments from $30 million to $75 million to cover expansion and seasonal costs, according to Richard Galanti, chief financial officer. He said Costco would slow its growth in fiscal 1988, and would probably open only six to eight warehouses primarily in existing markets. Over half of the sites will be in California and one warehouse will open in Honolulu—a new market—next spring, he said.

The expansion cutback is part of a "planned slowdown" to enable Costco to "digest what we did last year," Galanti said. He added that there are "still a lot of irons in the fire" for possible site acquisitions, but nothing to the extent of the opportunities available to the company last year.

Costco also reported its fourth quarter results, which showed net income increasing 45 percent to $2.58 million on an 87 percent sales gain to $495 million. Comparable store sales for the quarter increased 17 percent, while same store sales for the entire fiscal year experienced a 23 percent gain.

Luria Establishes Anti-Rebate Policy

MIAMI LAKES, Fla. — L. Luria & Son has notified vendors that any manufacturer who insists on offering rebates will have to pay a fee on that merchandise effective January 1988.

A letter sent by president Peter Luria last month established the new "Vendor Consumer Chargeback Program." The new policy states that vendors will be charged $300 per rebated model, at each of the cataloger's 43 Florida stores, or $12,900 for each rebated model. Vendor accounts will be debited on the date that the rebate goes into effect.

Leonard Luria, chairman, indicated that this tactic will not be needed in most instances. "We have instructed our buyers not to buy rebated goods. If it means buying a derivative item, we will," Luria said, adding that the chargeback policy would be used in cases where the cataloger has not found a suitable replacement for a rebated model.

Luria tried this approach several years ago, but vendors had failed to comply. Chairman Luria said K mart's decision to eliminate rebated merchandise (see *DSN*, Oct. 12, page 3) has created sufficient anti-rebate sentiment in the retail industry for this strategy to now be effective.

The letter reiterated Luria's commitment to manufacturers who agree to eliminate rebates. "As a matter of corporate policy, we will favor those vendors and those products that do not have rebates."

Worlds of Wonder Cuts Toy Prices

FREMONT, Calif. — Worlds of Wonder based here is cutting prices on some of its most popular toys and exploring possible recapitalization or sale of part or all of the company to avoid filing for reorganization under Chapter 11.

WOW reported a record loss of $43 million on sales of $49.7 million in its second quarter, ended Sept. 30. In the year-earlier period, it reported net income of $4.1 million on sales of $61.7 million. Last year, WOW reported annual sales of $327 million.

The loss for the quarter included a reserve of $29.8 million for price cuts and disposal of excess materials. According to a company representative, the largest portion of that charge is the price reduction. The rest is coming out of the company's intention to make less product in the near future with committed quantities of custom parts.

WOW, which grew faster in two years than any other manufacturing concern in the United States, expects to post a net loss at the end of its current fiscal year. The most immediate step taken is the 15 percent to 20 percent reduction in cost to retailers on the Teddy Ruxpin animated plush figure, and a majority of product lines.

The company hopes to see increased sales as early as the third quarter from the price cuts. Its optimism also stems from a renewed credit line through next September allowing the company to borrow up to the lesser of $100 million, or 75 percent of eligible accounts receivable.

Positive consumer response to newer lines of Little Boppers dancing dolls and the Julie talking doll has also fueled an optimistic outlook. WOW is now shipping both lines in volume for this Christmas.

On the verge of what many believe will be a problematic Christmas at best, two other toy companies also reported lower earnings this month.

In their recently completed third quarters, Hawthorne, Calif.-based Mattel reported a loss of $14.2 million compared to net income of $16.3 during the third quarter last year. Pawtucket, R.I.-based Hasbro reported its profits fell by 71 percent to $11.2 million from $38.2 million during third quarter last year.

For the six months ended Sept. 30, WOW's loss totaled $53.5 million on sales of $72.7 million compared to a net income of $2.8 million on sales of $85.2 million during the first half last year.

Developer Tries for NYC Outlet Mall

NEW YORK — A partnership that includes one of the nation's largest developers of factory outlet malls has made progress in getting city permission to convert a refrigerated warehouse into an eight-story discount shopping center in New York City's Chelsea district.

The partners are Belz Enterprises, Memphis, Tenn., and Hirschfeld Realty, New York. Their application to convert the warehouse was returned to the New York City Planning Commission after a community board endorsed the proposal, 31 to 4.

Belz president Andy Groveman said he expects action on the permit in about four months but declined to disclose what it would cost to convert the 532,000 square feet into discount apparel and home furnishings shops.

Belz operates six factory outlet malls featuring manufacturer-operated stores, and units of off-price apparel chains such as Dress Barn, Hit or Miss and Burlington Coat.

Zayre Enters New Pennsylvania Market; Eyes Philadelphia

By Richard C. Halverson

MECHANICSBURG, Pa. — Zayre is wrapping up its 1987 expansion, which added 21 new stores, after opening one unit in late October and four more by Thanksgiving.

The new Mechanicsburg store, which opened Oct. 25, marks Zayre's entry into a new market, the Harrisburg capital region, and is the 15th Zayre store in the Keystone State. Of Zayre's previous Pennsylvania units, 10 of 14 are located in the western part of the state, in and around Pittsburgh.

The four Zayre units slated to open this month will push total store count to 383, said Stan Berkovitz, vice president, consumer affairs. For 1988, Zayre plans to open about 25 stores.

The Zayre units opening this month are in Milford, Mass., about 30 miles from corporate headquarters; Brockton, N.Y., part of the Rochester area and another new market for Zayre; Deerfield Beach, north of Miami, and Pensacola, Fla.

In Harrisburg, Zayre bumps heads with K mart and Hills, which dominated the discount market here with three stores apiece.

A Zayre source, who asked to remain anonymous, declined to divulge details of Zayre's expansion strategy but indicated that Philadelphia might figure in the discounter's future.

The source indicated that possible expansion into Philadelphia was "still in the discussion stage." But he ruled out New Jersey, where Zayre operates two B J's Wholesale Clubs, as a likely target for Zayre discount stores.

In layout and design, the Mechanicsburg store follows the racetrack prototype Zayre has been using for 10 years. The Framingham, Mass., retailer uses that entire racetrack aisle for merchandising in dump bins on plastic pallets.

High impact merchandising is the dominant feature of the hard lines departments, which take up about one-third of the estimated 50,000-square-foot selling floor. Adjustable gondola shelves extend to 84 inches in height, and merchandise, such as paper towels, toilet tissue and storage "milk" crates, is stacked five to six feet higher.

Zayre Stores
Division of Zayre Corp.

Framingham, Mass.
Number of Stores: 383
1986 Sales: $3,046 million
Percent Change from 1985: +15%
1986 Earnings: $130 million
Percent Change from 1985: −8%

Source: DSN research

Backroom storage occupies only a narrow slice on the end of the 150 feet deep store.

This Zayre store even uses the wall space over doorways to the stock room to display such goods as cassette tapes on pegboard hooks.

Apparel is displayed in about half of the store. Including domestics such as window treatments and sewing fabric, soft lines comprise about 60 percent of selling space. Ladies' apparel is conspicuous by the absence of brand names, except for Gitano jeans. In men's, Zayre offers Lee, Wrangler and McGregor.

In hard lines, the store gives the most prominence to toys. In contrast, sporting goods, is less dominant. Ball goods, bicycles, four styles of tennis rackets and sleeping bags are the major offerings.

The merchandise mix in Zayre stores varies by region according to demographic considerations such as ethnic makeup and income levels, and other local factors, said the Zayre source.

One local factor that Zayre apparently overlooked is that Central Pennsylvania is a prime deer hunting region. Many companies give their employees the day off when deer season opens the Monday after Thanksgiving.

The nearby K mart prominently displays deer hunting gear, including rifles, camouflage hunting suits, blaze orange caps and vests and camp stools. But Zayre stocks none.

"Zayre isn't interested in guns and ammunition," the source said. "Sporting goods isn't a department that does particularly well for us." But normally Zayre would stock hunting apparel in such a situation, he added. "Apparently, we missed that. But they'll pick it up," he said.

In keeping with Zayre's new policy, the Mechanicsburg store will remain open around the clock from 8 a.m. Monday until midnight Saturday. Sunday hours are 10 a.m. to 7 p.m. Such round the clock operations are a first for the Harrisburg market.

British CE Retailer Casts Eye on Newmark & Lewis

By Josephine Fiamingo

HICKSVILLE, N.Y. — Richard Lewis, president of Newmark & Lewis, has denied published reports that the purchase of the 46-store consumer electronics chain by a European-based CE retailer is imminent. Lewis told *DSN* that informal meetings between the two firms in August and September never reached the serious stage. But, he declined to rule out the possibility of future negotiations with the Dixon's Group, Britain's largest CE retailer.

Dixon's operates 1,200 stores in England under the names Dixons, Currys and SupaSnaps. In April, the Middlesex, England-based company acquired Silo, the third largest CE chain in the United States. In July, Dixon's bought Tipton Centers, a regional electronics chain based in St. Louis. Neither Dixon's nor Silo would comment on the talks with Newmark & Lewis.

With combined 1986 sales of $684 million, Silo's and Tipton's 149 stores provide Dixon's with the second largest CE chain in the country. And, if Newmark & Lewis' 46 stores and $214 million in sales were added, Dixon's could challenge industry leader Circuit City for the top spot. Richmond, Va.-based Circuit City reported sales of $1.01 billion last year. But Dixon's store count, including Newmark & Lewis, could become a whopping 195 stores, almost double the 97 present Circuit City stores.

An investment analyst who has been following Dixon's move into the U.S. said that Silo and Tipton provide Dixon's with a strong foothold to grow through additional acquisitions over the next three to five years. Many analysts suggest the time is ripe since many CE chains have sent signals to the market that they would entertain offers.

August Discount Sales Climb 7.7%

Nationwide DSN Report

Retail sales at discount department stores rose 7.7 percent in August to $5.60 billion, recovering some of the ground lost since May when sales peaked at $5.76 billion, the U.S. Commerce Department reported this month.

Since January when the Commerce Department started tracking retail sales at discount department stores, sales have totaled an unadjusted $39.89 billion. Discount department stores is the largest retail segment within the general merchandise category, accounting for nearly 42 percent of its $95.73 billion eight-month sales total.

Sales for the general merchandise category represent a 5 percent increase over the same eight-month period in 1986. For August, sales rose 12.7 percent over July, to $13.6 billion.

Total retail sales during this eight-month period were an unadjusted $976.5 billion, up 4.8 percent from the $931.6 billion recorded during the same time last year. Excluding auto sales, retail receipts for eight months were an unadjusted $746.2 billion, up 4.7 percent from a year ago.

Discounters Continue to Outpace Other Retail Types
Retail Sales for General Merchandise Group (unadjusted)
(In Millions of Dollars)

Total Sales: January Through August:

Discount Department Stores	$39,891
Conventional Department Stores	$26,506
National Chain Department Stores	$21,409
Variety Stores	$5,257

**revised* ***preliminary* *Source: U.S. Commerce Dept., November 1987*

In August, retail sales were nearly $131 billion, unadjusted, up 1.6 percent from July. Sales excluding autos were $98.90 billion in August, unadjusted, also 1.6 percent above July's sales figures.

Mervyn's Installs Storewide Scanning; Tests Satellite System

HAYWARD, Calif. — Mervyn's, the soft goods chain division of Dayton Hudson, introduced storewide scanning capabilities this month.

Mervyn's management information system is "aggressively going with scanning and bar coding," said Dennis "Mick" Connors, vice president of MIS. "We [in MIS] feel we're a vital part of the strategy and where Mervyn's is going . . . it's a real tool to our success," he said.

Storewide scanning now allows for constant sales monitoring. The company is installing a new NCR point-of-sale register in its new stores, while replacing some of its older registers in existing stores, Connors said.

In October, the chain opened 10 stores—eight in Michigan, one in Southern California and one in Texas—and one more store will be opened later this month, bringing the chainwide total to 200 stores.

While many of the improvements inherent in the new NCR 7052 models are technical and maintenance improvements, Connors said the registers also include a reader for credit cards. With this built-in system, approval requests are fed directly through the register to an in-store computer then on to headquarters.

While the process stops at headquarters if the charge card is a Mervyn's credit card, the approval step proceeds on to the banks if the purchase is to be made by Visa or MasterCard. This capability only takes a fraction of a second.

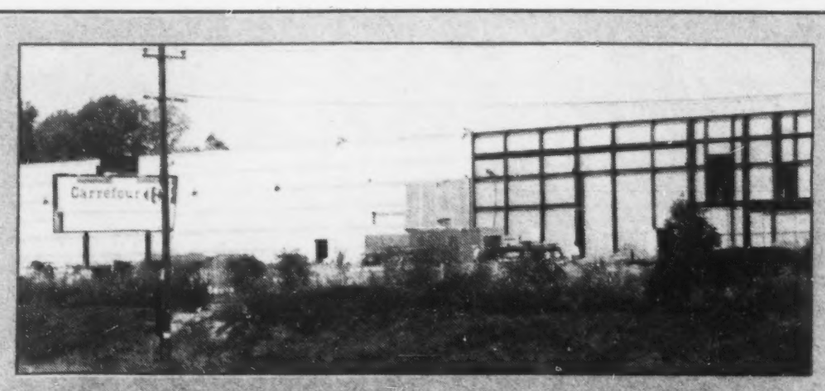
Mervyn's has also just tested a satellite system, but Connors said the company has not finished evaluating the program's effectiveness.

The promotional soft goods retailer has, however, moved forward with its electronic data interchange (EDI) system. By year-end some 100 vendors, representing about 80 percent of Mervyn's volume, will be linked with the retailer, Connors said. Invoices, bills of lading and information sharing will then be possible between the two apparel pipeline facets.

Then in February of 1988, Connors said that the chain would begin using vendor Universal Product Codes. Currently, Connors said the chain uses its own scannable bar coding for products, but he said that this can be easily switched to the vendors' UPC with a cross file system.

While Dayton Hudson's discount division, Target, is the Minneapolis-based parent company's sales leader, Target will not have total store scanning until the end of 1988.

Comparable store sales at Mervyn's in September fell 5 percent, while Target experienced a 2 percent gain.



Carrefour Readies U.S. Debut

Carrefour, the European retailer, is putting the finishing touches on its first U.S. hypermarket for an anticipated grand opening on Jan. 19. The huge 200,000-square-foot combined general merchandise and grocery store is located off State Road 63 in north Philadelphia. (DSN photo)